

GST MICHIGAN WORKS!

TURNOVER STUDY RESULTS

EXIT



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INTRODUCTION AND CONTEXT:

Purpose and Goals

In February 2019, six Michigan Works! Agencies (MWAs) contracted with the Workforce Intelligence Network for Southeast Michigan (WIN) to examine employee turnover in the region. This work aims to provide the MWAs with a comprehensive understanding of the root causes of employee turnover and the potential gaps that exist in the development of career pathways for those with barriers to employment. Information gathered from a region-wide employer survey, convenings of local employers, and nationwide best practice research is included here.

The results of the employer survey represent a unique data source for our region, as this information is not currently tracked or reported by federal, state, or local entities. The information about the challenges and opportunities within our region is intended to assist MWAs in better serving employers and workers. In particular, this will help to inform the resources aimed at reducing employee turnover.

Key Findings

1. The occupations experiencing the highest rates of turnover are entry-level positions such as general laborers and medical aides.

Occupations in which workers tend to remain with a company for a long time, however, face their own challenges in keeping jobs filled. Cost estimators, sales representatives, and engineers have high average tenure but also typically take a long time to fill, and an oncoming retirement cliff for these workers may leave employers with small talent pools to choose from in the future. For more details on tenure by occupation, see page 8.

2. GST employers estimate typical turnover costs between \$1,800 and \$5,100 per worker.

This includes factors such as hiring search costs, training, and lost revenue and productivity. Regionwide, median turnover costs are near \$4,000 per worker, with training costs between \$1,000 and \$2,000. Additional training and detailed onboarding are reported as effective, yet expensive, retention strategies. See page 16 for more detail about turnover costs.

3. The most common reason cited “very frequently” for employee turnover is a desire for higher pay or benefits, followed by transportation, child care, and other personal conflicts.

These two causes were the primary drivers of turnover in each MWA. Scheduling concerns were also a major concern in the GST service area. For more detail about reasons for turnover, see page 15.

4. Competition for a shrinking talent pool is driving changes in retention strategy for many employers.

Employers often face fierce competition for workers, and most are experimenting with changes in pay, benefits, and other workplace features to attract and retain talent. Employers cited a tight labor market, changing workforce demographics, and an insufficient number of workers being trained in the necessary skills as reasons for updating their policies. For detail about benefits and compensation, see page 13.

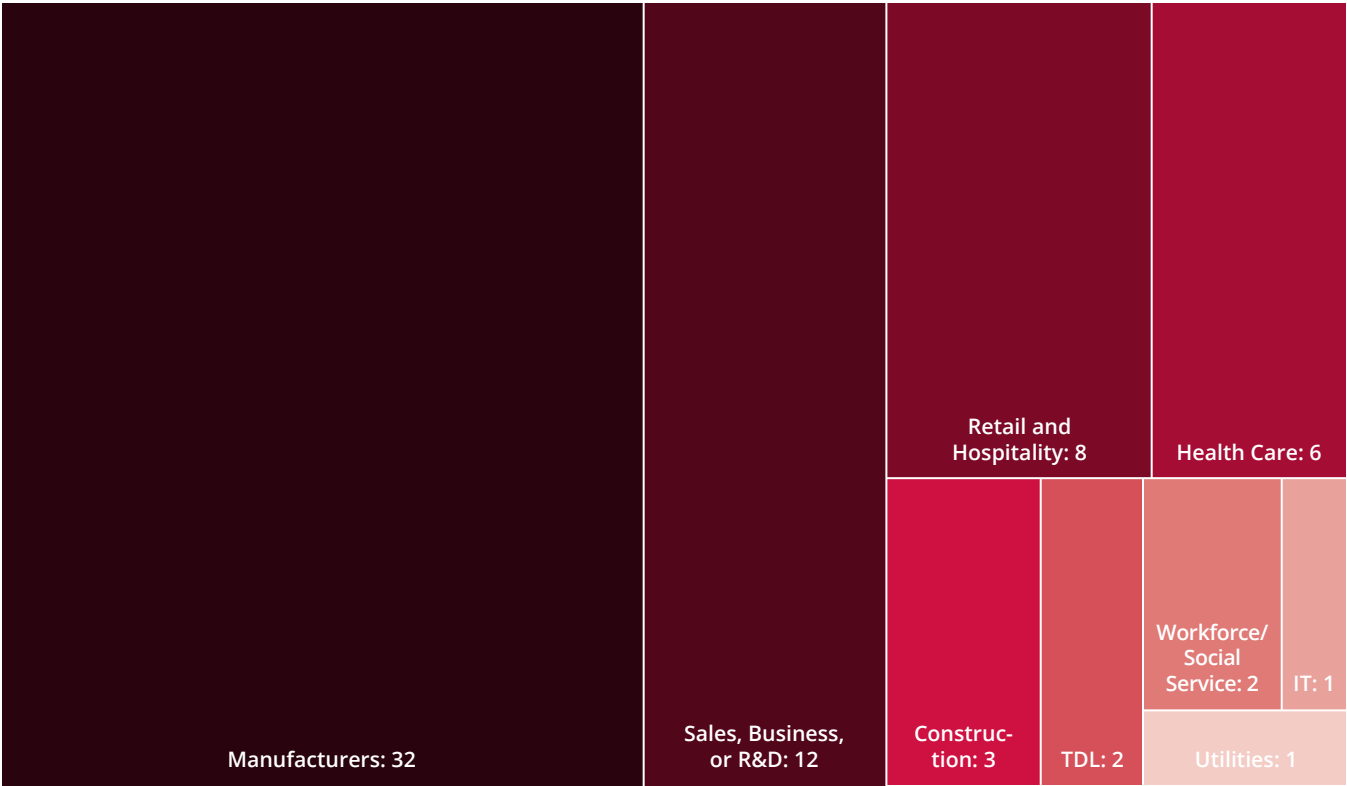
Additional Context

To best focus the survey, several avenues were explored to find existing challenges and best practices. A literature review sought national information on employee turnover causes and effects. This search emphasized the uniqueness of this data set. Additionally, preliminary employer convenings were held within each MWA to provide in-depth feedback and encourage discussion among local employers.

Turnover research has been occurring in some fashion since the early 20th century, with a primary focus on predictive turnover modeling for firms’ internal use. Job satisfaction and alternatives, external shocks to businesses or workers, and employee traits were the focus of mid-century literature. More recent studies are typically based on a job embeddedness model, which represents a broad analysis of the reasons a worker will choose to remain at their job, and consider additional factors such as HR techniques and more advanced models of why workers stay. This body of research provides valuable insights into why employees may leave, but seldom refers to regional aggregate turnover studies or includes surveys that were conducted on employers. There are also some findings regarding consequences; negative correlation has been reported between turnover and measures such as customer satisfaction, profit margin, efficiency, and error/ loss rates. Sources and works for this are included on page 17.

Convenings of focus-industry employers took place throughout the month of March at all MWAs. Large convenings provided a consensus across many employers sharing similar concerns, while those with fewer employers in attendance allowed for more detailed discussion. Key themes from those meetings are included alongside survey analysis. The convenings included 67 total employers, whose industry mix is indicated in figure 1, across all six MWAs. Overwhelmingly, the convenings served to show that the causes of high turnover and barriers to work are consistent across the region and across industries.

FIGURE 1: EMPLOYER CONVENING PARTICIPANTS BY BUSINESS TYPE





MWA Regional Overview

This report focuses on survey results from the Genesee, Shiawassee, and Thumb (GST) Michigan Works! service area, which includes Genesee, Shiawassee, Huron, Lapeer, Sanilac, St. Clair, and Tuscola counties. Though a wide range of employers were surveyed, the Agriculture, Construction, Manufacturing, and Health Care industries were the subject of focus.

Cross Comparison with Full Region

Given the volume of survey results from Genesee, Shiawassee, and the Thumb region counties, most of the findings presented here are discussed in light of the full 16-county region. The largest portions of employers responding to this survey were in the Educational Services and Manufacturing industries, followed by Health Care; across Southeast Michigan, survey responses were most frequently completed by Manufacturing employers. Total staffing was somewhat larger for these businesses than for those across the region, and nearly half of the businesses here reported locations in multiple counties. This is somewhat more common in this area than across the region. The relatively varied top industries led to analysis centered on broadly employed roles such as accounting and administrative workers and general managers. Compared to the full region, a greater portion of responding employers in the GSTMW! service area experience high levels of turnover, though average tenure is somewhat longer for many occupations and costs of turnover are relatively low. Wages for most of the occupations discussed here are somewhat below average in this predominantly rural service area when compared to the 16-county regional average.

A Note on Response Rates, Significance, and Responses by Question

WIN would like to thank each MWA's business services team for their hard work in pushing the survey out to employers, and to thank everyone who took time to fill out the survey. Across all MWAs, 612 individuals responded to the call to help improve employee retention resources.

The survey was open between April 3, 2019 and May 14, 2019. During that time, 43 employers in the service area responded to the survey. About half completed the survey in its entirety. Several questions did not pertain to all employers, such as those regarding multiple locations or specific retention strategies. Though the response volume does not allow for statistical precision, the feedback here is considered alongside regional trends and notes from employer convenings to provide specialized context for turnover challenges within the service area.

RESULTS BY QUESTION:

Employer Response Profile

Industry mix from responses

The greatest portion of responding employers in these counties identified themselves as Educational Services providers, accounting for 13 responses. Manufacturing (12 responses) and Health Care and Social Assistance employers (nine responses) made up large portions as well. Two respondents were unsure how their business classifies for QCEW purposes. Those that responded this way were asked to describe their business' primary function and were then categorized as closely as possible; this may not perfectly represent the way businesses in the region file.

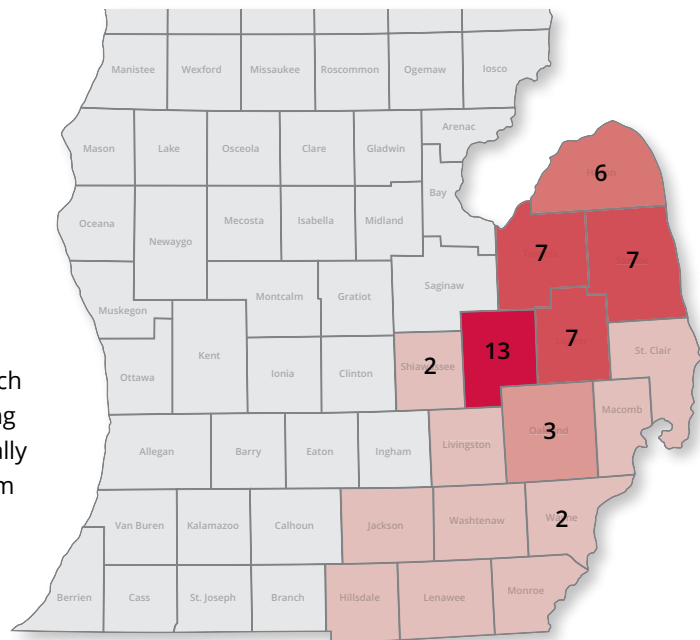
FIGURE 2: EMPLOYERS BY INDUSTRY CLASSIFICATION

61: Educational Services 13	31-33: Manufacturing 12	62: Health Care and Social Assistance 9	23: Construction 6	54: Professional, Technical, and Scientific Services 2	81: Other Service... (Except Public...)
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County locations of primary operations and any additional locations

The map in figure 3 shows the total number of responses that mentioned each county, including both primary and additional locations. Regarding primary operations, 12 respondents primarily operate in Genesee county, while seven employers primarily operate in Sanilac county and six each are based in Huron and Tuscola. Additionally, 43.6 percent of employers indicated that they have multiple locations. Secondary locations were primarily located within different GST counties, though Wayne and Oakland counties were mentioned by several employers each as well. The wide geographic spread is important considering that transportation barriers heavily impact the area, especially as many workers were indicated in convenings to travel from Genesee county to the other MWAs. Insurance, licensing, and car repairs are prohibitively expensive, and transit is limited; employees mitigating costs through carpools are jointly susceptible to breakdowns.

FIGURE 3: PRIMARY AND ADDITIONAL LOCATIONS BY COUNTY

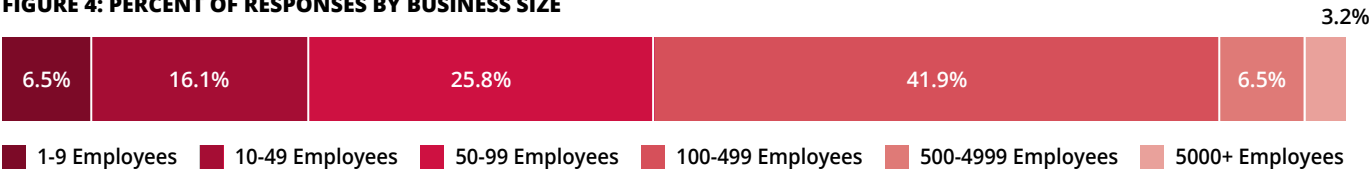


Staffing

Full-time employee counts

Mid-sized businesses make up the bulk of the employers that responded to the survey, with 41.9 percent of respondents reporting between 100 and 499 full-time employees. This employment level is greater than was typical across all six MSAs, which tended to include more small businesses. The larger firms are also reflected in the presence of large dedicated human resources departments.

FIGURE 4: PERCENT OF RESPONSES BY BUSINESS SIZE



Occupational Breakdown

- Which of the following roles are employed at your location?
- What is the approximate percentage of your staff in these roles?
- How long does it typically take to fill a position in these roles?

Some positions are significantly harder to fill and retain than others, and some skillsets are unusually rare. One of the primary concerns for this study was to quantify which occupations those may be. Employers often indicate that skilled trades roles have especially small talent pools and face an exceptional threat from the region's aging workforce. The average and median values presented in this section reflect only GSTMW! service area responses, but major differences with the overall region are highlighted where present.

Figure 5 shows the number of responses indicating that they staff a given occupation type and what percent of their total staff they represent. Roles applicable to most businesses such as office and administrative workers and general managers top the list. Skilled trades and production roles have a high place as well, reflecting the relatively high number of manufacturers. It was reported here to take, on average, around ten weeks to fill a skilled trades position, slightly higher than the regional average. These workers generally also indicate high retention. In convenings and turnover commentary within the survey, many employers commented that workers in many roles that make it through an initial threshold period are likely to stay for years.

FIGURE 5: EMPLOYMENT AND PERCENT OF STAFF BY NUMBER OF RESPONSES

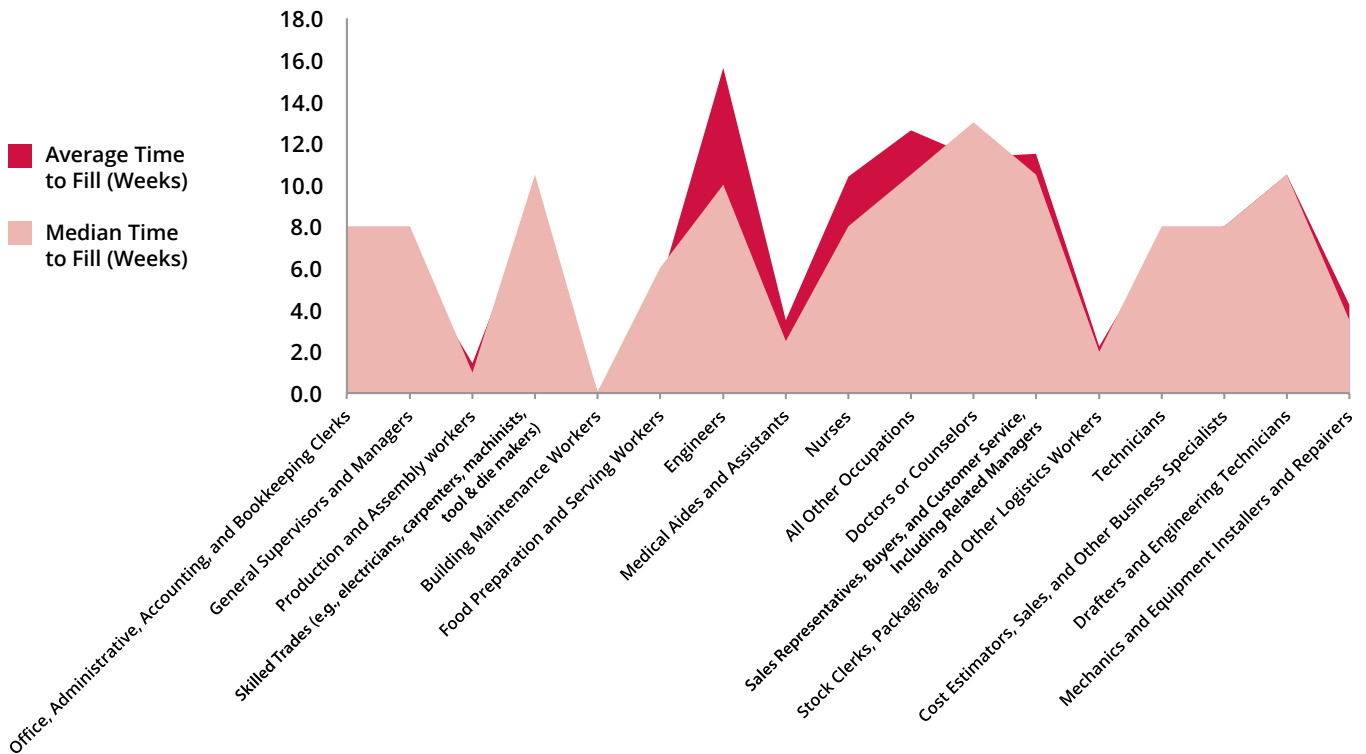
OCCUPATION	NUMBER OF RESPONSES	AVERAGE PERCENT OF STAFF	MEDIAN PERCENT OF STAFF
Office, Administrative, Accounting, and Bookkeeping Clerks	17	9.4%	9.0%
General Supervisors and Managers	11	8.1%	8.0%
Production and Assembly workers	9	62.2%	60.0%
Skilled Trades (e.g., electricians, carpenters, machinists, tool & die makers)	8	35.4%	12.0%

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OCCUPATION	NUMBER OF RESPONSES	AVERAGE PERCENT OF STAFF	MEDIAN PERCENT OF STAFF
Building Maintenance Workers	7	6.9%	3.0%
Food Preparation and Serving Workers	7	10.2%	7.5%
Engineers	6	20.5%	7.0%
Medical Aides and Assistants	6	42.5%	31.0%
Nurses	6	34.2%	25.0%
All Other Occupations	6	44.4%	45.0%
Doctors or Counselors	4	6.0%	5.0%
Sales Representatives, Buyers, and Customer Service, Including Related Managers	4	3.3%	2.5%
Stock Clerks, Packaging, and Other Logistics Workers	4	7.5%	8.0%
Technicians	4	6.7%	6.0%
Cost Estimators, Sales, and Other Business Specialists	3	2.7%	3.0%
Drafters and Engineering Technicians	3	24.7%	35.0%
Mechanics and Equipment Installers and Repairers	3	38.3%	10.0%
Equipment Operators	2	0.0%	0.0%
General Laborers (Farmworkers, construction, etc)	1	95.0%	95.0%

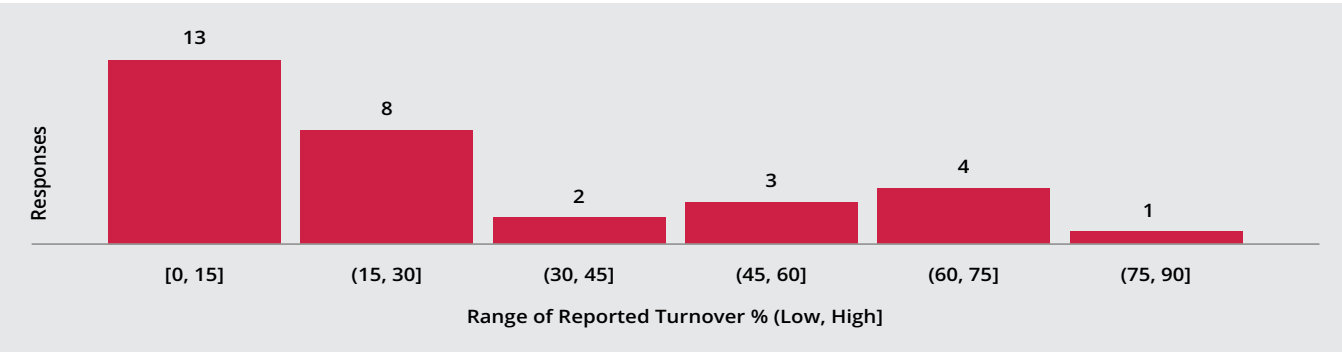
FIGURE 6: AVERAGE AND MEDIAN TIME TO FILL A POSITION BY OCCUPATION



Employee Tenure

Estimated annual turnover rate

FIGURE 7: AVERAGE ANNUAL TURNOVER PERCENT BY NUMBER OF RESPONSES

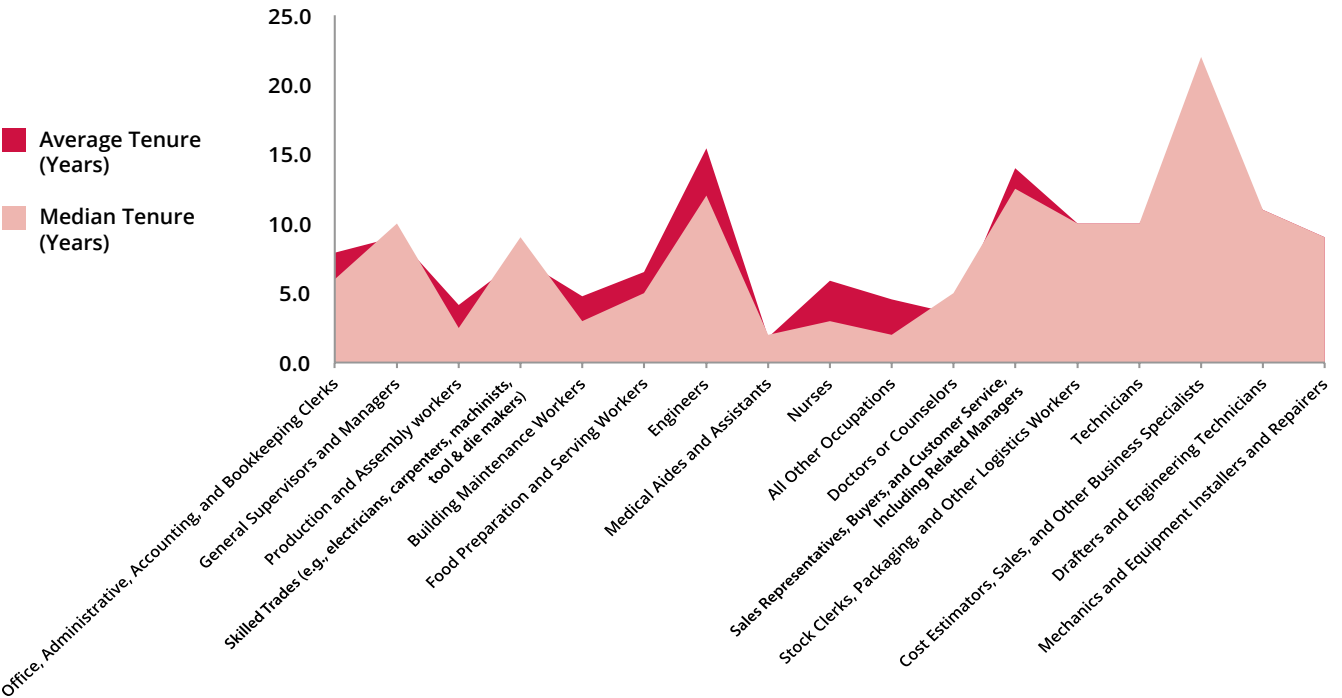


Responding employers experience a wide range of turnover rates as depicted in figure 7. The greatest portion, or 13 employers of the 13 responses, have a 10 percent or smaller annual turnover. However, a total of eight employers experience greater than 45 percent turnover each year, or at least half of their staff.

Tenure estimates by occupation

Regionally, several patterns emerged among tenure rates. These were generally reflected in this service area. Medical aides, production workers, and other entry-level positions have both very low tenure and low time to fill, while the opposite is true for high-skilled roles such as skilled trades, cost estimators and sales representatives, and engineers.

FIGURE 8: AVERAGE AND MEDIAN TENURE BY OCCUPATION



Tenure differences between hourly and salaried workers

Three quarters of responding employers stated that tenure is noticeably different between their hourly and salaried workers. Regionally, around half of employers have observed this pattern. Below is a depiction of the distribution of tenure for both groups. About half of hourly workers here typically remain in their jobs for one year or less, while salaried workers generally remain with a company for three years or more. Though the distribution is smoother in the region overall, the same tendencies are still shown.

FIGURE 9: DIFFERENCES IN TENURE FOR HOURLY AND SALARIED WORKERS



Tenure differences between entry-level and management workers

Nearly 80 percent of responding employers stated that tenure is noticeably different between their entry-level and management workers, a distinction that is observed by many southeast Michigan employers. Below is a depiction of the distribution of tenure for both groups. Individuals that begin working at these companies in entry-level roles exhibit a range of tenure periods, with the greatest portion remaining between six months and one year but roughly equal portions remaining under one or three or more years. Individuals in management roles are likely to stay for long periods, with about half remaining with a company for at least five years.

FIGURE 10: DIFFERENCES IN TENURE FOR ENTRY-LEVEL AND MANAGEMENT WORKERS



Tenure changes from additional training

Well over half, or about 68.2 percent, of employers either have not noticed any change in tenure with additional training or train all workers no matter what. Nearly all of those that have noticed a difference indicated that additional training has a positive overall effect on retention due to increased engagement. In convenings, employers expressed excitement over additional training resources, which reinforced survey responses that employers would like to offer more training.

Tenure differences between day and night shifts

In this service area, 16 responding employers stated that they employ workers on multiple shifts. Region-wide, first shift workers are by far the most likely to remain with a company for over five years, while many individuals appear to test whether they can adapt to a third shift schedule for six months or fewer. This reflects employer comments from convenings; second and third shift positions are often initially difficult to fill, but typically once a good fit is found the employee is likely to stay. Shift scheduling, alongside conflicts like repetitive work and tough working conditions, can make it especially difficult to fill jobs in manufacturing and construction businesses.

Human Resources Management

Capacity of human resource departments

The relatively high proportion of large firms in this service area is reflected by relatively higher numbers and larger staff for human resource departments. From the survey, 17 responses (77.3) percent of responses reported that their company has dedicated human resources staff, and department sizes are shown in figure 11. For those without dedicated HR staff, internal management and unions were indicated to handle these duties, while 6 employers typically hire through a staffing agency.

FIGURE 11: NUMBER OF HUMAN RESOURCES WORKERS BY RESPONSES

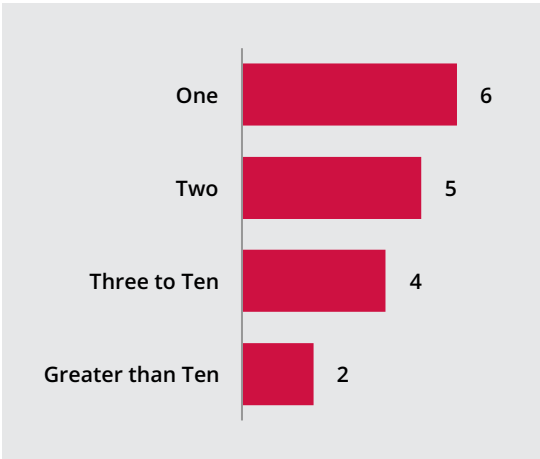


FIGURE 12: HR DISTRIBUTION BY LOCATION

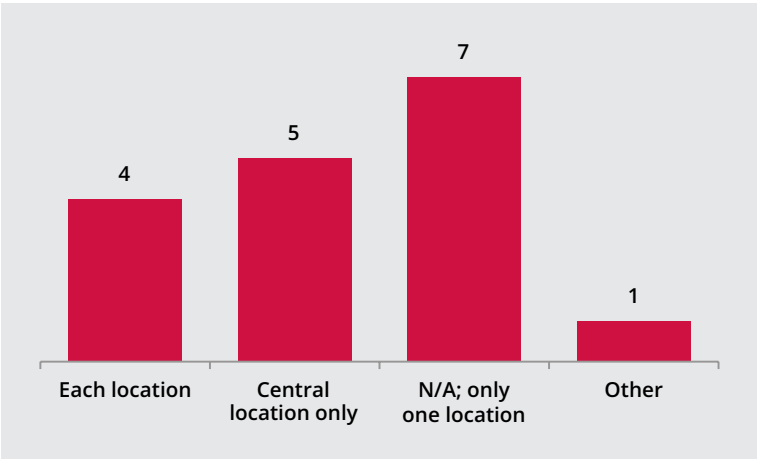
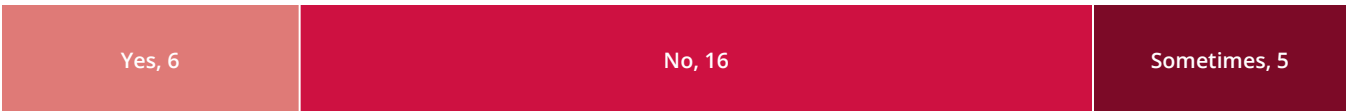


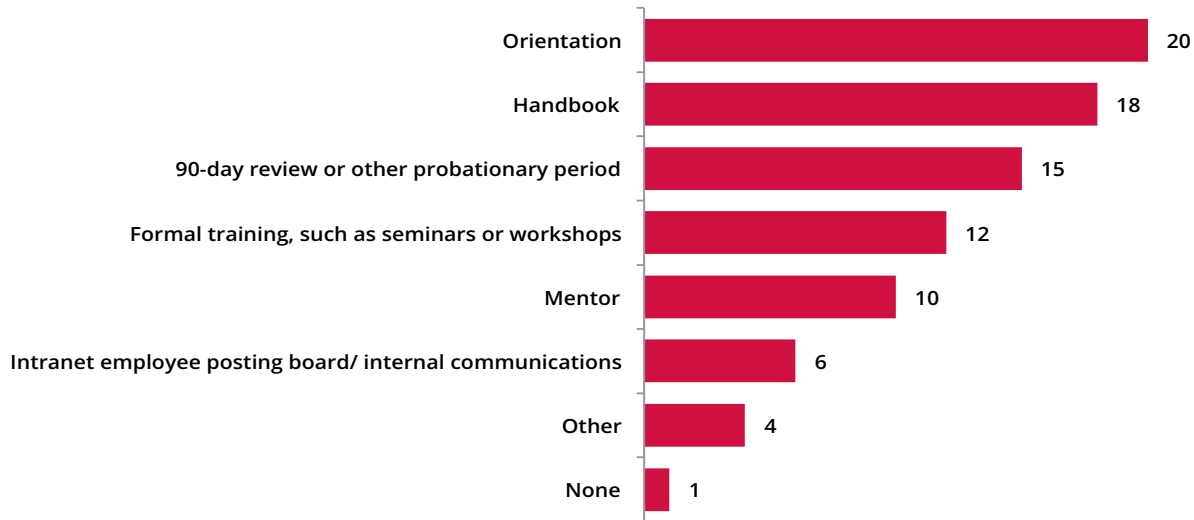
FIGURE 13: USE OF A STAFFING AGENCY BY NUMBER OF RESPONSES



Onboarding strategies

In both survey responses and convenings, employers indicated that one of the best strategies that can be used to keep workers in their companies is to provide excellent training and clear expectations from the moment a person is hired. Though the high percentage of one-person HR departments may not have capacity to implement more hands-on methods, nearly all employers utilize some kind of official onboarding. Figure 14 shows the percent of responses utilizing each of the indicated onboarding strategies.

FIGURE 14: ONBOARDING STRATEGIES BY NUMBER OF RESPONSES



Formalized feedback strategies

Eight employers indicated that they do not have any formalized feedback strategies. Roughly equal proportions either encourage informal feedback through open door policies and employee suggestion boxes or primarily utilize annual reviews, quarterly meetings, or 90-day performance evaluations to glean employee feedback.

At what level do you have succession planning procedures in place?

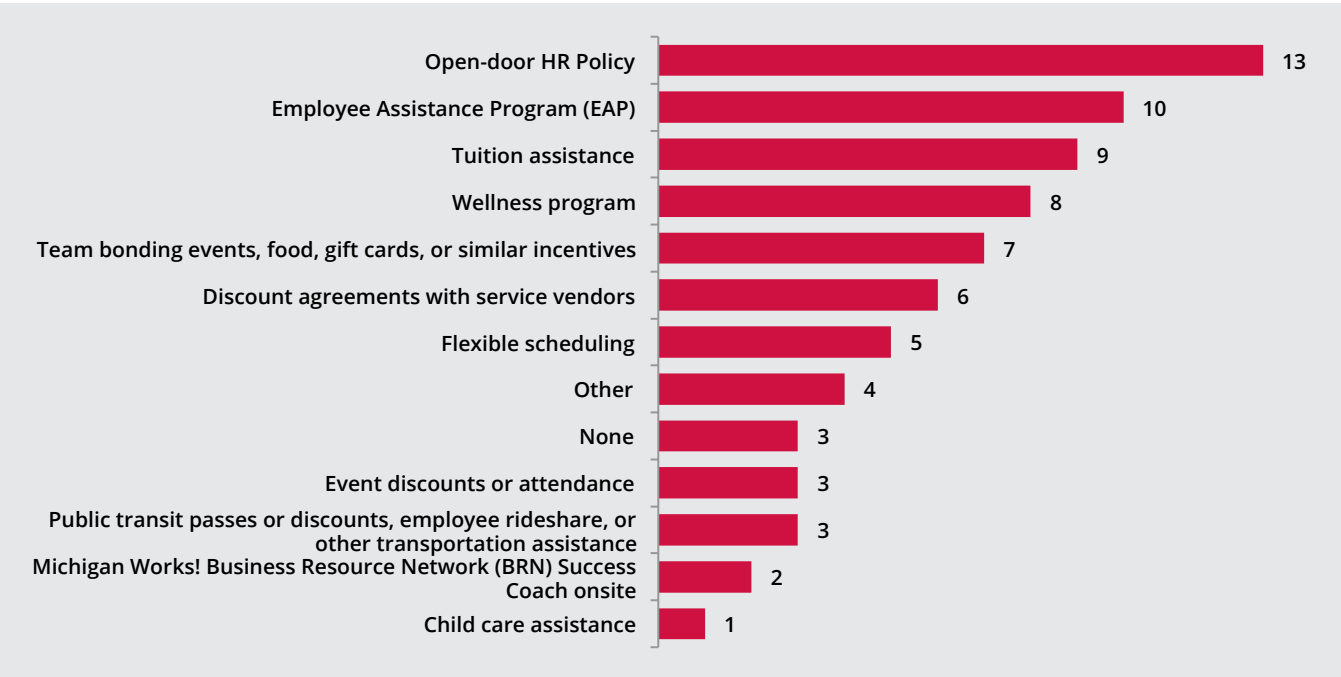
FIGURE 15: NUMBER OF RESPONSES WITH SUCCESSION PLANNING BY JOB TYPE



Retention Strategies

What retention strategies do you have in place, and how often do you update them?

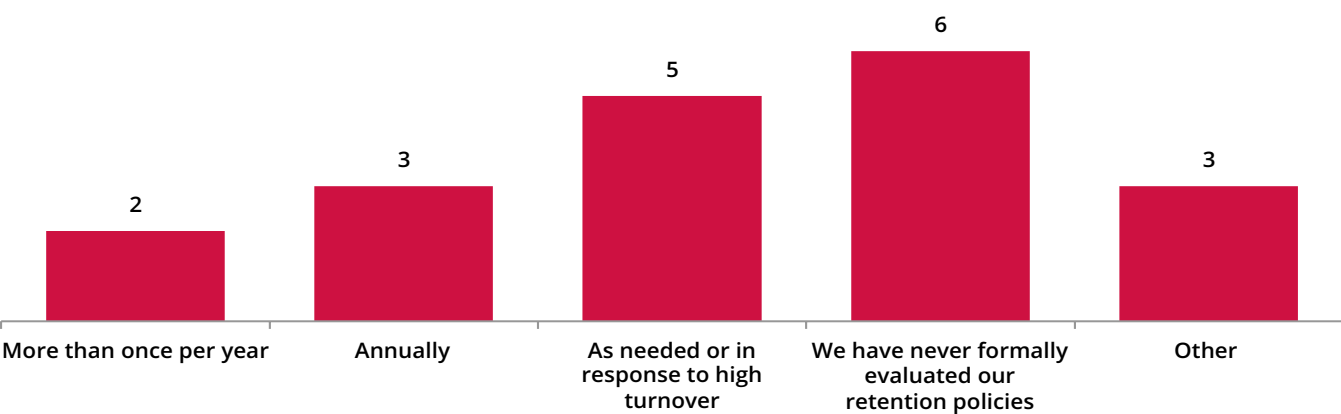
FIGURE 16: RETENTION STRATEGIES BY NUMBER OF RESPONSES



Responding employers typically described flexible scheduling as the ability to choose and trade shifts, though several responses mentioned that employees may set their own start and end times within a given range. Employers responding with “other” typically referred to additional health and wellness benefits. Transportation was identified as a key issue for turnover in convenings, this survey, and across MWAs, and especially for this primarily rural region. To this end, three responses indicate that their company provides transportation-specific assistance.

Different businesses take different approaches to implementing these strategies; though most responding employers have at least one of the above retention strategies in place, the greatest portion have never formally evaluated their policies. Five more employers indicated that they evaluate their retention policies on an as-needed basis.

FIGURE 17: FREQUENCY WITH WHICH EMPLOYERS EVALUATE RETENTION POLICIES



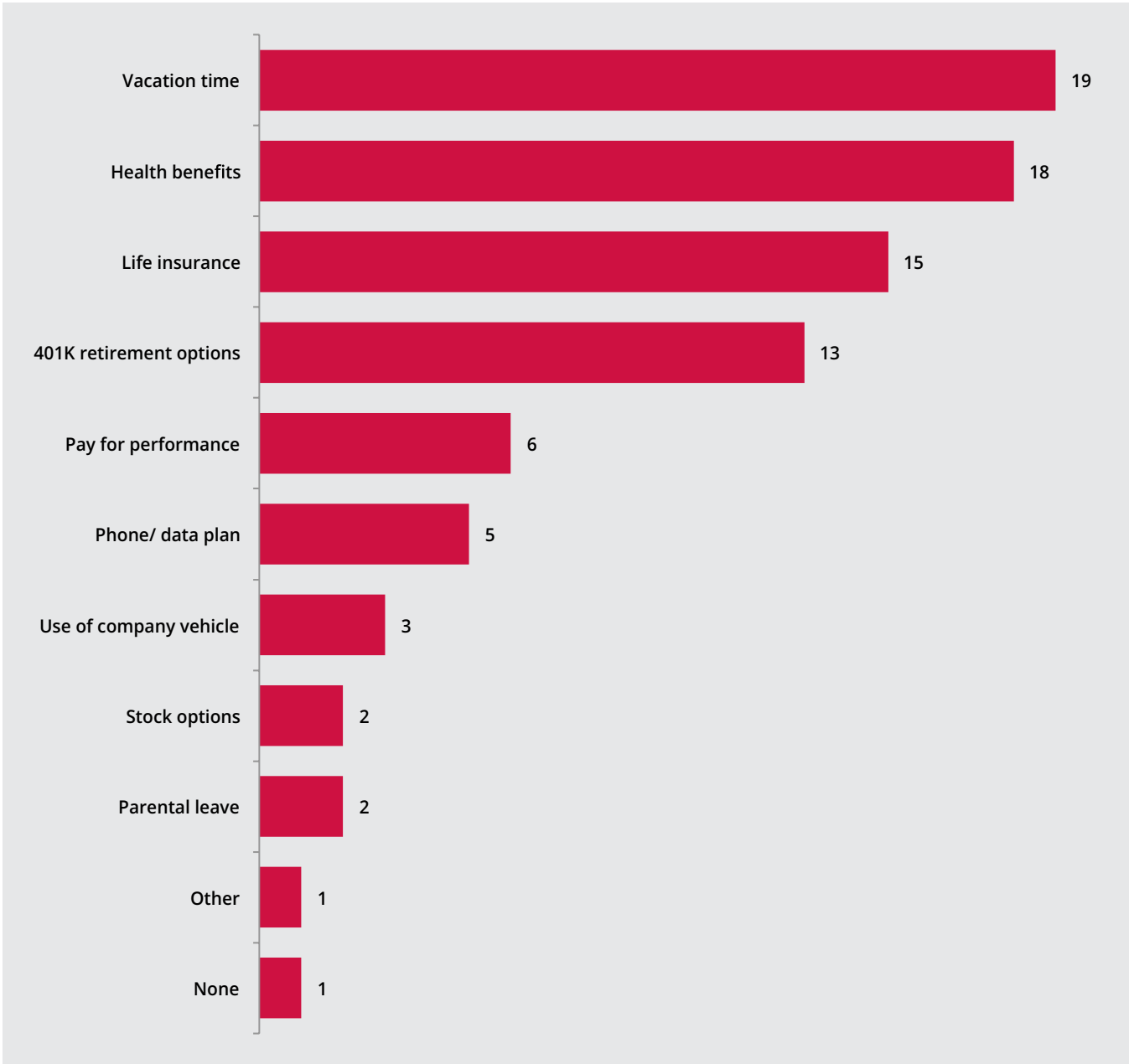
Effectiveness of retention strategies

While considering the array of retention strategies utilized, 11 employers reported strategies they find especially effective. Many among them focused on benefits and recognition. Of the options in figure 16, the open-door HR policy, flexible scheduling, and team bonding efforts were mentioned.

All responding employers in these counties indicated that retention strategies, if indicated, were helpful. Across southeast Michigan, changes in pay or benefits were the least effective in increasing employee retention on their own.

Employee Satisfaction

FIGURE 18: BENEFITS OFFERED BY NUMBER OF RESPONSES



Compensation considerations: salary and benefit comparisons

Wages are often considered a primary cause of turnover; during convenings, many employers noted that workers will leave for very small changes in pay. Employers indicating that they generally offer above average pay also cite low turnover rates, in many survey responses. Just over a quarter, or 30.7 percent, of surveyed employers have standardized salary bands for their workers. Both a distribution of reported wages by occupation group from this survey and Bureau of Labor Statistics (BLS) wages for the GSTMW! service area is shown below. In convenings, employers reported both cost and logistic barriers in adjusting wages. However, as competition for talent grows, businesses are finding it increasingly important to keep up with regional average wages. Benefits are key as well, and for many workers, a range of the right benefits may make up for slightly lower wages or unusual schedules. Tuition reimbursement, schedule flexibility, incentives, and other broad benefits are becoming increasingly common, though workers that are young or do not have families may not account for above average health insurance in making compensation decisions.

FIGURE 19: WAGE SCALE FOR TOP 12 SURVEY OCCUPATIONS IN GENESEE, SHIAWASSEE, AND THUMB REGION COUNTIES

SOC	OCCUPATION	PCT. 10 HOURLY EARNINGS	PCT. 25 HOURLY EARNINGS	MEDIAN HOURLY EARNINGS	PCT. 75 HOURLY EARNINGS	PCT. 90 HOURLY EARNINGS
43-9199	Office and Administrative Support Workers, All Other	\$9.05	\$10.43	\$18.09	\$26.29	\$27.63
11-1021	General and Operations Managers	\$21.84	\$30.65	\$43.88	\$69.57	\$98.85
51-9199	Production Workers, All Other	\$9.11	\$12.29	\$16.48	\$21.94	\$26.84
51-2098	Assemblers and Fabricators, All Other, Including Team Assemblers	\$8.91	\$9.68	\$13.82	\$18.19	\$22.14
51-4041	Machinists	\$11.04	\$13.16	\$17.18	\$21.87	\$26.00
51-4111	Tool and Die Makers	\$15.81	\$20.38	\$28.00	\$45.25	\$53.90
49-9071	Maintenance and Repair Workers, General	\$9.52	\$11.59	\$15.50	\$20.04	\$25.14
35-1012	First-Line Supervisors of Food Preparation and Serving Workers	\$9.86	\$11.82	\$15.02	\$19.61	\$24.80
35-2021	Food Preparation Workers	\$8.97	\$9.26	\$10.49	\$12.70	\$15.30
17-2141	Mechanical Engineers	\$24.13	\$29.76	\$37.45	\$47.66	\$56.21
31-9092	Medical Assistants	\$10.31	\$11.58	\$13.55	\$16.18	\$18.33
29-1141	Registered Nurses	\$27.68	\$30.75	\$34.25	\$37.91	\$43.02

Source: Bureau of Labor Statistics

Promotion pathways and necessary training

Over half of employers (11 responses) stated that they do not have set advancement pathways for any of the roles chosen here. A few employers have pathways for production workers, and one is working on creating promotion paths. Regionwide, around half of structured advancement paths require further training while the others are determined by an individual's performance. Funding is most often provided when required, and most employers allow training to be completed during normal work hours or offer flexible scheduling and time off.

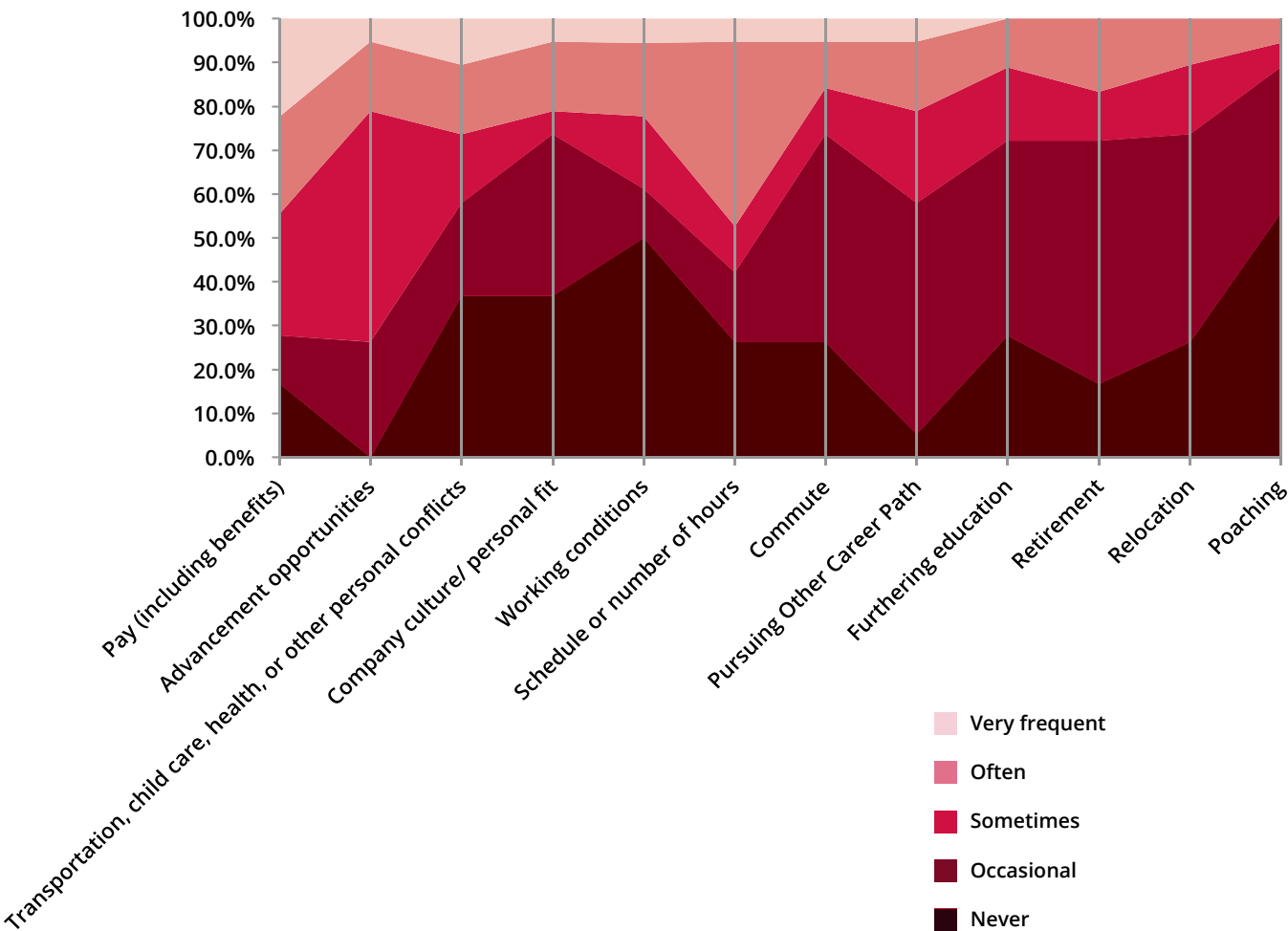
Staff Retention Challenges

Employers have indicated a variety of reasons for being concerned about turnover, and all but one response in this service area stated that they are worried about staff retention. The burden and expense of training a new worker and the impact on company performance are felt across southeast Michigan. Monetary concerns, such as the ability to pay higher wages and fund additional training, may impact even employers who feel that the higher wages are fair. Finally, as employers broaden their search for talent, they are increasingly finding that workers must be coached in workplace soft skills. This was noted across all MWAs and industries, and extended to factors like attendance and punctuality, work-life balance, motivation and dedication, and personal fit with the company.

Reasons given for leaving a job

Employers were asked to rank employees’ stated reasons for leaving by frequency, ranging from “never” (employees do not ever express this was the primary reason) to “very frequent”. The most common reason cited “very frequently” for employee turnover is a desire for higher pay or benefits, followed by transportation, child care, and other personal conflicts. These reasons were echoed in convenings and were the top two in every MWA. Scheduling concerns were by far the most common reason cited “often”, and personal decisions such as company fit, retirement, and pursuit of a different career path were mentioned as well.

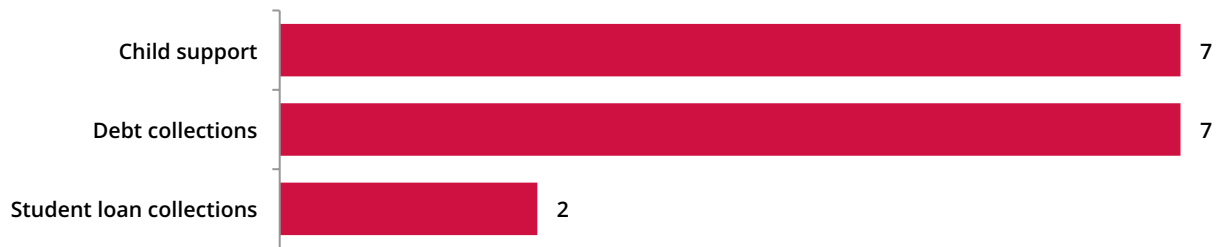
FIGURE 20: EMPLOYEES’ REASONS FOR LEAVING BY FREQUENCY



Personal barriers and court-ordered payroll deductions

As shown in figure 20, barriers such as housing, child care, transportation, and medical issues continue to frustrate both workers and their employers. Individuals struggling with poor attendance often face unseen barriers at home; transportation is the most commonly cited, but housing, child care, and health are also important. Legal barriers and court-ordered wage deductions can be difficult as well. Five employers report retention issues for employees burdened by court-ordered payroll deductions. Among those indicating that payroll deductions are an issue, child support and debt collections were equally problematic.

FIGURE 21: REASONS CITED FOR COURT-ORDERED PAYROLL DEDUCTIONS



Estimated costs of turnover and new hire learning curve

FIGURE 22: ESTIMATED TURNOVER COSTS BY NUMBER OF RESPONSES

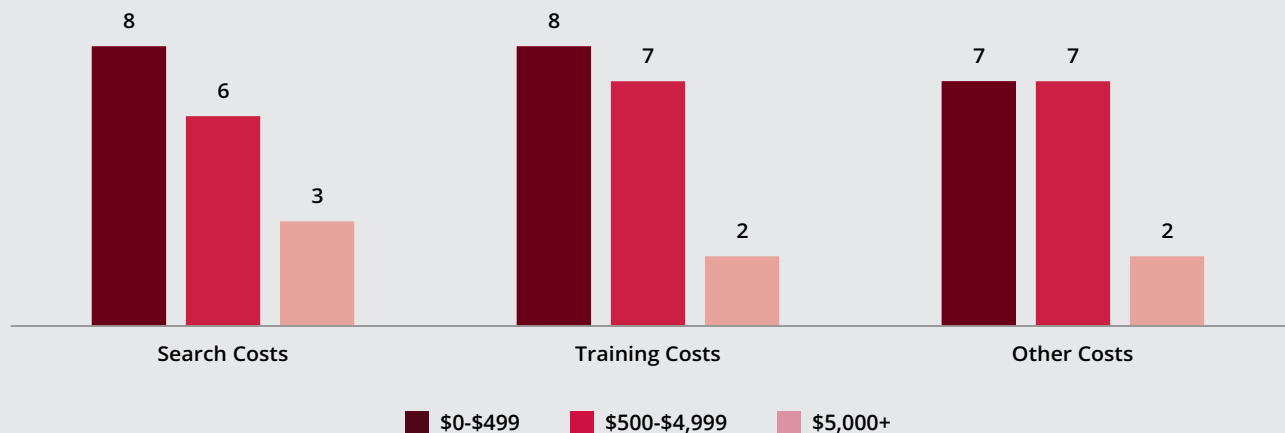


Figure 22 shows the number of responses indicating that their cost to replace an employee falls within the given range. Search costs, with an average of about \$1,700 per worker and a median of \$500, are typically the smallest portion of the expense. Suggestions for “other” costs included lost productivity or revenue while being short-staffed or lacking experienced workers. For these employers, it most often takes around one to three months for a new worker to be as productive as an existing one, though regionally this was typically closer to six months. “Other” costs had a median of \$800 and an average of \$1,000. Estimated costs to train a new worker had a median \$500 and an average of \$2,300, significantly lower than employers across southeast Michigan. Altogether this suggests that these employers spend between \$1,800 and \$5,100 to bring on a new worker. In most MWAs, the median estimate of the cost to bring on a new worker when an employee leaves was near \$4,000 but easily surpassed \$10,000 depending on the position and company.

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